

Chapter 10 – CNI Balanced Scorecard

Overview

The Balanced Scorecard (BSC) is an approach to strategic management that was developed in the early 1990's by Dr. Robert Kaplan (Harvard Business School) and Dr. David Norton (Balanced Scorecard Collaborative). Prior to the establishment of CNI, the former Shore Installation Management Division (OPNAV N46), in concert with representatives from all installation management Claimants, Regions, and other leaders in installation management, adopted the basic principles of the BSC to better evaluate the delivery of shore services and support by focusing on performance areas beyond strictly the financial area. The BSC that was adopted back then is still relevant to the delivery of shore services and support today under CNI. It looks at key metrics that go beyond just the pure, traditional "financial" metrics (such as obligations), so as to better gauge how an organization is performing and delivering its services.

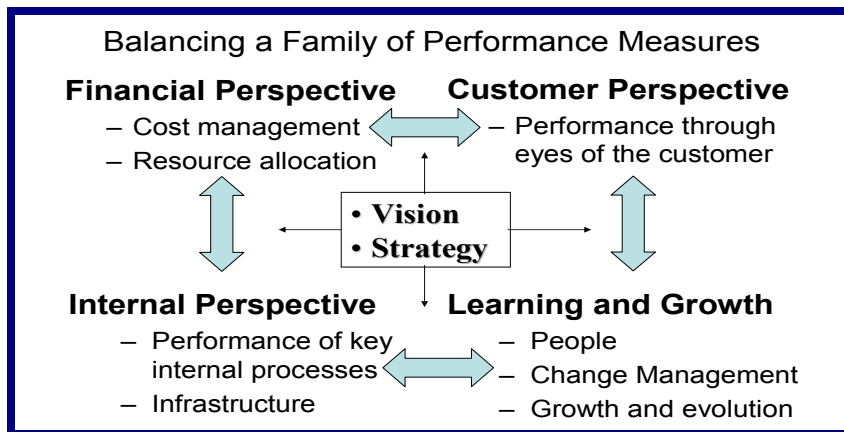
The BSC is particularly applicable for CNI because it is a **management system** (not only a measurement system) that enables organizations to clarify their vision, strategy, and actions by viewing the organization from **four perspectives: customers, processes, investment, and workforce**. **Metrics were developed for each perspective, data collected as it became available, and results analyzed relative to each of these perspectives.** For CNI, it provides an improved means to gauge overall performance. The BSC methodology has allowed CNI to assess progress in the four primary areas of planned action and to develop further the seven metrics within the scorecard to assess how CNI is performing. The current components of the BSC contained herein are currently under review by the CNI

Business Management Office and PDs to ensure that they are current and relative to today's environment.

Product of the Plan

CNI Balanced Scorecard

- The Balanced Scorecard (BSC) addresses results in terms of four perspectives:
 - Customer
 - Process
 - Investment
 - Workforce
- BSC is a management tool and not just a measurement system. It focuses on things beyond just finance to help gauge performance and service delivery.
- CNI has 7 approved key ratios/metrics resulting from the previous work covered in the SIM Strategic Plan developed prior to CNI by the OPNAV N46 Division. This Strategic Plan, as well as the BSC, is currently being rewritten as a CNI Strategic Plan and BSC.
- For FY 2004, CNI produced the initial metric results for 6 of the 7 key ratios/metrics as follows:
 - Program to Requirements Ratio (score of 0.78);
 - Budget to Program Ratio (score of 0.89);
 - Execution to (initial post CBB 04) CNI Budget Ratio (score of 0.92);
 - Capability Delivery Ratio (score of 1.20);
 - % Functional Areas with Approved Standards (score of 80%);
 - Customers Satisfied with Performance (score of 3.67 out of 5 with 5 being highest satisfaction).
- CNI is developing the necessary tools to address the 7th BSC metric of "Employee Satisfaction and Effectiveness Survey," and the CNI Total Force Manpower PD expects completion in FY 2005.



Goals

The overarching goal for each quadrant of our CNI scorecard is as follows:

- **Customer:** provide shore services and support that meet or exceed expectations.
- **Investment:** focus shore investments to maximize Fleet readiness.
- **Process:** align our processes, structure and standards, and employ best business practices to provide effective, efficient Navy shore services and support.
- **Workforce:** foster a highly skilled, valued and aligned team in an environment where they can succeed.

Metrics

In FY 2004, CNI increased its overall capability to populate the seven metrics listed on the scorecard below. Previously, only four were metrics measured and only three of those metrics were reported in last year's Stockholders' Report. These were:

- Program to Requirements Ratio;
- Budget to Program Ratio;
- Execution to Budget Ratio.

Five programs were previously reported on including: MWR, Child Development, Fleet and Family Support, Family Housing, and Bachelor Housing. All five of these programs had an established Special Interest Item (SII) code prior to FY 2004.

Program to Requirements Ratio	$\left\{ \frac{\text{CCL (Programmed)}}{\text{CCL (1)}} \right\}$ SII	Requirements accuracy and program credibility
Budget* to Program Ratio	$\left\{ \frac{\text{CCL (Budgeted*)}}{\text{CCL (Programmed)}} \right\}$ SII	Program credibility and budgeting accuracy
Execution to Budget* Ratio	$\frac{\text{CCL (Executed)}}{\text{CCL (Budgeted*)}}$ SII	Budgeting accuracy and execution alignment
Capability Delivery Ratio	$\left\{ \frac{\text{CL (Achieved)}}{\text{CL (Anticipated)}} \right\}$ FA	Effectiveness and efficiency of execution
% Functional Areas with Approved Standards	$\left\{ \frac{\text{CFAs with standards (OMN/R only)}}{\text{CCNI (OMN/R only)}} \right\}$	Consistent quality service
Employee Satisfaction and Effectiveness	CNI Employee Feedback Tool	Foster a skilled and valued work force
Customer Satisfaction with Performance	Customer Feedback Tool	Effectiveness of execution

Abbreviations, Definitions and Explanatory Notes:

CL = Capability Level (CL 1 is the "standard" capability level that fully meets the requirement); with Navy programmed funding at CL 2 for Air and Port Ops, Utilities, and MWR overseas and at isolated and remote locations; and CL 3 for all other programs.

- CL data can be obtained from the Objectives Matrix index score (e.g., an objectives matrix composite index score of 9 out of 10 equates to CL 1; a score of 7 to 9 equates to CL 2; a score of 5 to 7 equates to CL 3; and a score of below 5 equates to CL 4).
- CL data was collected initially for POM-04 and subsequently for PR-05 and POM-06. Actual execution data comes from the annual Performance Data Call conducted by CNI at the end of each FY.

C = denotes the "Cost of"

SII = Special Interest Item (an accounting and budgeting term)

* = "Budget" data used is the revised CNI fiscal year budget compiled after CNI standup, and the CNI CBB budget meetings in November 2003.

FA = Functional Area (s) (functional areas are contained in the CNI Core Business Model and IMAP)

CNI Balanced Scorecard (BSC) Metrics	
Customer ✓ Customer Satisfaction with Performance	Investment ✓ Program to Requirements Ratio ✓ Budget to Program Ratio ✓ Execution to Budget Ratio
Process ✓ % of Functional Areas with Approved Standards ✓ Capability Level Ratio (Achieved vs. Anticipated)	Work Force • Employee Satisfaction and Effectiveness (by 2005/6)

Overall for CNI, measurement has progressed to include the six metrics checked above, although some of these are still just the initial calculations of such measurements based on initial data. Actions have been initiated that will better enable CNI to deploy the remaining metric on Employee Satisfaction and Effectiveness at a future date (expected in FY 2005 by the CNI Total Force Manpower Program Directorate). This effort is in parallel with the overall CNI approach to its Human Capital Strategy efforts. It should be noted that while the mission, vision, and strategic goals set the overall direction for CNI, the actions within the BSC address CNI priorities for the day-to-day operations. (Note: Both the CNI Strategic Plan and BSC are currently under revision.)

The Department of Defense Planning, Programming, Budgeting and Execution System (PPBES) cycle is the major determinant as to when the investment quadrant metrics will be able to be implemented fully. For example, the Planning and Programming phases are completed a full two years in advance of the budget execution year. As noted earlier in this report, PR-05 was the first POM cycle for which we have programmed many, but not all, of our CNI requirements based on our newly developed, capabilities-based Capability Level programming methodology. However, the OPNAV N46 POM-04 submission did provide rudimentary full requirements data across the large majority of programs to allow for the expansion of the number of CNI programs for which we can develop the ratio metrics. Thus, beginning in FY 2004, the year that CNI stood up, we have data in most functional areas to populate the "Program to Requirements Ratio," the "Budget to Program Ratio," and the "Budget to Execution Ratio." The true measure of effectiveness of the process will not actually be available until FY 2006, since the initial PPBES cycle for CNI was POM-06. Therefore, owing to the above PPBES considerations, FY 2006 will also be the first year that we can assess fully (applies to apples comparison) programming actions that were based

on the newly developed Navy-wide standards and Capability Level methodology.

These ratios are a general indicator of the requirements accuracy, program credibility, budgeting accuracy, and execution alignment of the money for each functional area. The target score is 1.00 (100%), meaning that the amount of money requested was, in fact, the same amount received or spent. Functional areas with ratios greater than one (> 1.00) indicate that more money was received than requested, while ratios that are less than one (< 1.00) show the opposite. However, these ratios show only the relative amounts of money involved, not the Capability Levels or output achieved, which is the ultimate aim of the money – the true output or **"Product of the Plan"**. As use of these ratios becomes more widespread in the future, these metrics will take on more meaning. It is expected that these metrics may be modified as the CNI Business Management Office and CNI PDs reexamine the CNI Strategic Plan, BSC, and PD Business Plans.

The accompanying table (see Table 10-1) reflects pertinent metric information for those budget categories (either budget categories or SII) for which past programming/budgetary data are available and traceable. In some cases, partial or preliminary information was available; hence partial metric data. This data is displayed to show the trend across the past three years in terms of the ability to determine progress with respect to the accuracy of CNI data. This trend analysis is only available for these five programs for the reasons associated with the PPBES cycle noted previously and because FY 2004 was the initial year for the use of the new SII codes across all CNI programs. For FY 2005, the ability to compare across all programs will expand to address all functions with at least two years worth of comparable data. FY 2006 is the initial year CNI implements a budget based on a CNI-developed POM and CNI calculated requirements using the improved performance metrics and models.

Table 10-1. CNI Balanced Scorecard Metric Data – Trend Data

Functional Area	Program to Requirements Ratio			Budget* to Program Ratio			Execution to Budget* Ratio		
	FY 2002	FY 2003	FY 2004	FY 2002	FY 2003	FY 2004	FY 2002	FY 2003	FY 2004
MWR	0.93	0.93	0.68	1.03	1.02	0.72	1.03	0.86	1.03
Child Development	0.99	0.99	1.00	0.97	0.97	0.91	0.99	0.84	0.97
Fleet and Family Support	0.94	0.94	0.92	1.06	1.03	0.92	0.98	0.85	0.96
Family Housing	0.94	0.93	0.84	1.03	0.95	0.70	1.14	0.95	0.97
Bachelor Housing	0.73	0.77	0.78	1.25	1.16	0.85	0.97	0.94	0.68
* = "Budget" data used is the revised CNI fiscal year budget compiled after CNI standup, and the CNI CBB budget meetings in November 2003.									

The CNI BSC Metric "Capability Delivery Ratio" has been populated for FY 2004. The basis for this calculation for FY 2004 was the direction from CNO to fund four programs at CL 2 (Air Operations, Port Operations, Utilities, and MWR overseas and at isolated and remote locations), with all other programs at CL 3 for FY 2004.

Likewise, the metric associated with "% Functional Areas with Approved Standards" has also been addressed in this report. This reflects the progress CNI has made in obtaining approval of the metrics, models and standards for the Shore Services and Support programs.

The sixth BSC metric included in the report addresses the "Customer Satisfaction with Performance." For FY 2004, the data used to populate this metric was drawn from the CNI FY 2004 Senior Level Customer Satisfaction Feedback Questionnaire reported on throughout this report. These scores are reported extensively elsewhere in this report and reflect a satisfaction index on a scale of 1 to 5, with 5 being highly satisfied and 1 being not satisfied.

The CNI BSC metric data displayed in Table 10-2 is the initial attempt by CNI to provide information across 6 metrics for most CNI programs. Reliable and accurate data was not available for all programs. Each of these requires some additional explanation.

For the "Program to Requirements Ratio" the intent is to show requirements accuracy and program credibility. Many of these requirements submitted by OPNAV N46 in POM-04 were, however, the full (100%) requirement for that program, instead of being calculated to reflect CL 2 or CL 3 requirements. The program totals reflected a closer approximation of actual funding expectations. The total for CNI then for this metric of 0.78 (Table 10-2) is indicative of these facts and actually equates well to an overall CL 3 in very general terms.

The "Budget to Program Ration" is meant to display both program credibility and budgeting accuracy. For this metric the CNI overall score of 0.89 (Table 10-2) reflects the

actual give and take associated with the budget process. The initial CNI budget used here was created after the CBB-04 budget sessions in the fall of 2003. That CBB-04 budget is used as more accurate compared to the pre-CNI budget submitted by the previous 8 installation claimants in the summer of 2003 prior to the stand up of CNI.

The "Execution to Budget Ratio" shows both the budgeting accuracy (for the initial CNI prepared budget) and the execution alignment. For FY 2004, the CNI score of 0.92 (Table 10-2) indicates an overall excellent performance in terms of actual obligations versus the initial CNI budget, although there were wide variances across a number of programs

The Capability Delivery Ratio score indicates CNI was very close to the expected CL 2/CL 3 performance discussed here previously. The score of 1.20 (Table 10-2) indicates that 4 programs were more effective and efficient and performed at CL 2, while funded at CL 3 for FY 2004.

The "% Functional Areas with Approved Standards" score of 80% (Table 10-2) shows CNI still has additional work ahead to complete metrics, standards, and models for a number of smaller programs. The major programs and functions that consume the preponderance of resources have approved metrics, standards, and models.

The sixth and final metric displayed in Table 10-2 is "Customer Satisfaction with Performance." As indicated previously, these scores represent an initial customer satisfaction rating across all programs within CNI. The overall score of 3.67 out of 5 (5 is highly satisfied) shows solid performance across CNI in its initial year of existence.

With the future addition of the "Employee Satisfaction and Effectiveness Survey" metric to be coordinated by the CNI Total Force Manpower PD, CNI will have the basis for a true BSC evaluation of overall performance in each quadrant. Further development of the BSC concept is planned with the forthcoming 2005 CNI Strategic Plan.

Table 10-2. CNI Balanced Scorecard (BSC) FY 2004 Metric Data

FY 2004 CNI Balanced Scorecard (BSC) Metrics							
Functional Area	SII Code	Program to Requirements Ratio	Budget* to Program Ratio	Execution to Budget* Ratio	Capability Delivery Ratio	% Functional Areas with Approved Standards	Customer Satisfaction with Performance
Air Operations	AO	0.88	0.94	0.98	1.00	100	3.76
Port Operations	PR	0.91	0.80	0.83	1.00	100	3.78
Supply	SP	0.62	1.17	1.03	1.00	100	3.66
MWR	MW	0.68	0.72	1.03	1.00	100	3.79
Child Development	CD	1.00	0.91	0.97	1.00	100	3.75
Galley	GL	0.92	1.25	1.00	2.00	100	3.50
Fleet and Family Support	FS	0.92	0.92	0.96	2.00	100	3.93
Family Housing	FHN (10-16, 20, 22, 23)	0.84	0.70	0.97	1.00	100	3.55
Bachelor Housing	QO	0.78	0.85	0.68	2.00	100	3.42
Intra-Station Moves	IM	1.00	0.46	0.74	N/A	0	N/A
Utilities	UT	0.97	0.98	1.07	1.00	100	3.61
Facility Services	FX	0.50	1.24	1.03	1.00	100	3.58
Facility Management	FP	0.81	1.21	0.95	1.00	100	3.51
BSV&E	TR	0.65	1.12	0.90	2.00	100	3.56
SRM	ST, RM, DE, NF, CT	0.68	0.96	0.80	N/A = FSM	N/A = FSM	3.60
Environmental	EC, CN, PP	1.00	0.94	1.09	1.00	100	3.73
Force Protection	CT	1.00	1.03	0.83	1.00	100	3.90
Federal Fire	FI	0.80	1.04	1.02	1.00	100	3.95
Emergency Management	EM	0.00	0.00	0.48	1.00	100	3.85
Safety	SA	0.59	1.03	0.90	1.00	100	3.79
Command	CA	0.84	0.98	0.84	1.00	25	3.92
Resource Management	RN	0.77	1.16	1.05	N/A	0	3.56
FECA	DC	1.00	1.63	0.91	N/A	0	N/A
IT Services	IT	0.85	1.12	0.93	1.00	100	3.23
MILPERS Services	MS	0.64	0.95	1.00	N/A	0	3.40
CNI AVERAGE		0.78	0.89	0.92	1.20	80%	3.67
For each Functional Area, the following details apply for the calculations:		<ul style="list-style-type: none"> • Full requirements are taken from POM-04 BAM submission; • Program data from POM-04 submission; • * = "Budget" data used is the revised CNI fiscal year budget compiled after CNI standup, and the CNI CBB budget meetings in November 2003. • Execution from rmks04.cni.navy.mil/ certified, direct funds, total executed. 			CL recorded for FY 2004 performance divided by CL anticipated; some programs without FY 2004 assessment.	Programs with metrics, standards, and CL descriptors approved and modeled.	From CNI FY 2004 Senior Level Customer Satisfaction Feedback Questionnaire, using a scale of 1 to 5 for satisfaction, with 5 being highest satisfaction.

